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FINANCIAL REGULATIONS

Report by the Director-General

Summary

Describes the review made of the Financial Regulations of UNIDO and proposes amendments to specific regulations.

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Introduction

1. The far-reaching restructuring and reform process of UNIDO began upon approval by the General Conference at its fifth session of resolution GC.5/Res.18 on the future policy framework of UNIDO and its organizational and staff structure. The reform process continued throughout 1994 and 1995, and reports on the reform were presented to the sixth session of the General Conference (GC.6/30 and Add.1) and to the fifteenth session of the Board (IDB.15/14). The successful implementation of the restructuring is predicated, to some extent, on the regulatory framework under which the reforms are being enacted. Therefore, it follows that the process of restructuring and reform requires a comprehensive review of the regulatory framework and administrative procedures governing the financial administration of the Organization. During the 1994-1995 biennium, Member States encouraged UNIDO to review its procedures, including the financial regulatory framework, such as the financial rules and regulations. At its fifteenth session, the Board decided to review the provisions of financial regulations related to the budgeting process with a view to assuring the necessary flexibility by recommending, when necessary, to the General Conference the amendment of those provisions to facilitate the adoption of revised estimates and adjustments of approved budgets between regular sessions of the Conference as well as to ensure adequate budgetary control on the transfer of appropriations among major programmes (IDB.15/Dec.3, paragraph (d)).

2. The present document contains a first set of proposed amendments to the financial regulations relating mainly to budgetary issues. Both the financial regulations and the financial rules are currently under review within the Secretariat with a view to identifying the adjustments or modifications required to bring them into line with the new orientations and activities of UNIDO, and to permit UNIDO to cooperate with organizations providing new sources of funding. Therefore, further suggestions may be submitted by the Secretariat at a later stage regarding possible amendments to other provisions of the financial regulations dealing mainly with voluntary contributions and the administration of funds for technical cooperation.

I. BACKGROUND

3. The Financial Regulations of UNIDO were first drafted in 1985, following an extensive review of the regulations of the United Nations and its specialized agencies. The regulations were approved by the General Conference at its second session, in 1987 (GC.2/Dec.25). Amendments have been made from time to time to address changing financial circumstances. In particular, regulations were introduced, deleted or amended in respect of the authority to incur obligations and make payments under the operational budget and in respect of the Tax Equalization Fund. However, as UNIDO is a relatively young agency, its financial regulations have generally retained their validity and appropriateness as an effective regulatory tool.

II. PRESENT REVIEW

4. In conducting the present review, the Secretariat has studied the financial regulations of other organizations in the United Nations system, in particular those of the International Atomic Energy Agency which were recently revised. Notwithstanding the overall appropriateness and validity of the financial regulations in governing the financial administration of the Organization, the present review has brought to light sections of the financial regulations that are in need of amendment. Specifically, the following regulations are addressed in the present report:

- Form and review of the budgets (regulations 3.4 and 3.5);
- Current and future fiscal periods (regulation 4.2);
- Transfer of expenditures (regulation 4.3);
- Appropriation and assessment (regulations 5.1 and 5.2);
- General Fund and regular budget accounts (regulations 10.1 and 10.2).

III. PROPOSED AMENDMENTS

5. Annex I to the present document sets out in tabular form the proposed amendments to the specific financial regulations that require attention. The format shows the current regulations, the proposed amended regulations and describes the reasons for the amendments, including problems experienced with the current regulations and benefits or improvements anticipated from the amended regulations.

IV. REVIEW OF THE FINANCIAL RULES

6. The Director-General is presently undertaking a full review of the financial rules, with a view to ensuring that the regulatory framework at the secondary level provides sufficient scope to permit the Organization to

complete its programme of work in an efficient and flexible manner. In the event that proposed changes to the financial rules require further amendments to the financial regulations, these will be submitted to the seventh session of the General Conference through the Programme and Budget Committee and the Industrial Development Board.

7. In accordance with financial regulation 12.1, revised financial rules will be reported to the Industrial Development Board through the Programme and Budget Committee.

V. CONCLUSION

8. The introduction of the new financial regulations, which would take effect from 1 January 1998, will represent an important stage of the UNIDO reform.

9. The main thrust of the amendments is to ensure that the financial regulations permit cost-effective implementation of the work programmes of the Organization through a shift of emphasis from inputs (objects of expenditure) to outputs (programme objectives and activities). At the same time, a reasonable degree of flexibility has been introduced to permit the Organization to respond to new initiatives or changes in circumstances that may arise during the biennium. However, the amendments to the financial regulations will not weaken the financial framework of the Organization or infringe upon the authority and oversight available to Member States.

VI. ACTION REQUIRED OF THE COMMITTEE

10. The Committee may wish to consider the proposals contained in the present document concerning the revision of financial regulations and recommend to the Industrial Development Board that the revised regulations as set out in annex II thereto be transmitted to the General Conference for consideration and adoption.

Annex I

COMPARISON OF PRESENT AND PROPOSED FINANCIAL REGULATIONS

Regulation	Current regulation	Proposed regulation (New wording - **bold**) (Deletion - *italic*)	Reason for amendment
3.4(a)	The regular budget shall be divided into programmes and subprogrammes for expenditure as well as into sections for income. It shall also be presented by major objects of expenditure. It shall be accompanied by such information annexes and explanatory statements as may be requested by the General Conference (hereinafter referred to as the "Conference"), the Board or the Programme and Budget Committee, as well as such annexes as the Director-General may deem necessary or useful. The regular budget also shall be accompanied by a statement on the main changes in comparison with the previous biennium.	3.4(a) The regular budget shall be divided into **major programmes**, programmes and subprogrammes for expenditure as well as into sections for income. It shall also be presented by major objects of expenditure. It shall be accompanied by such information annexes and explanatory statements as may be requested by the General Conference (hereinafter referred to as the "Conference"), the Board or the Programme and Budget Committee as well as such annexes as the Director-General may deem necessary or useful. The regular budget also shall be accompanied by a statement on the main changes in comparison with the previous biennium.	Problems with current practice 3.4(a) The current regulation does not take into account the division of the budget at the major programme level. New practice 3.4(a) The biennial budgets of UNIDO are presented in line with the format approved by the seventh session of the Industrial Development Board, presenting the budget at three distinct levels of major programme, programme and sub-programme. The proposed amendment aligns the regulation to the actual practice of presenting the budget at the major programme, programme and subprogramme levels. Practice in other organizations 3.4(a) Most other United Nations organizations present budgets at the major programme level.

Regulation	Current regulation	Proposed regulation (New wording - **bold**) (Deletion - *italic*)	Reason for amendment
3.4(b)	The operational budget shall show the expected income and expenditures in respect of voluntary contributions to the Industrial Development Fund, in respect of such trust funds, reserve and special accounts as have been or may be established by the Director-General and in respect of support costs of technical assistance activities. It shall be accompanied by such information annexes and explanatory statements as may be requested by the Conference, the Board or the Programme and Budget Committee, as well as such annexes as the Director-General may deem necessary or useful.	3.4(b) Unchanged.	

Regulation	Current regulation	Proposed regulation (New wording - **bold**) (Deletion - *italic*)	Reason for amendment
3.5	The Director-General shall in the second year of each fiscal period, submit a draft programme of work and the corresponding estimates for the regular budget and the operational budget for the following fiscal period to the Board through the Programme and Budget Committee, as soon as possible and at the latest forty-five days prior to the opening of the session of that Committee.	3.5 The Director-General shall in the second year of each fiscal period, submit a draft programme of work *and* the corresponding estimates **and the proposed budget rate of exchange between the United States dollar and the Austrian schilling** for the regular budget and the operational budget for the following fiscal period to the Board through the Programme and Budget Committee, as soon as possible and at the latest forty-five days prior to the opening of the session of that Committee.	Problems with current practice 3.5 UNIDO does not have an adequate mechanism for setting the budget exchange rate and the methodology applied in recent bienniums has resulted in a constant budget exchange rate of US$ 1 = AS 12.90 being applied since 1990. UNIDO budgets are prepared in a combination of US dollars and Austrian schillings in accordance with the split-currency system. However, the presentation of the budgetary estimates at an equivalent US dollar value may lead to distortions if the budget exchange rate is substantially at variance with the current rate. The question of realistic exchange rates was raised during the eleventh session of the Programme and Budget Committee. New practice 3.5 The amendment would assure that budget estimates would be linked to an exchange rate that would remain constant from the beginning of the budgetary cycle up to the Conference. The budgetary exchange rate facilitates comparison between budget periods. It is used for presentation purposes since budgetary estimates consist of Austrian schilling- and dollar-based expenditures. For comparison purposes, the proposed budget rate for the forthcoming biennium would be applied to the budget estimates of the previous biennium. Practice in other organizations 3.5 Organizations using the split-currency system (IAEA, UNESCO and UNIDO) are faced with exchange rate/equivalent dollar presentation problems. In recent years, these Organizations have retained a constant dollar rate.

Regulation	Current regulation	Proposed regulation (New wording - **bold**) (Deletion - *italic*)	Reason for amendment
4.2(a)	Regular budget appropriations shall be available for obligation during the fiscal period to which they relate.	4.2(a) Unchanged.	
4.2(b)	Regular budget appropriations shall remain available for twelve months following the end of the fiscal period to which they relate, to the extent that they are required to discharge obligations in respect of goods supplied and services rendered during that fiscal period and to liquidate any other outstanding obligation of that fiscal period. The unencumbered balance of the appropriations at the end of a fiscal period shall be surrendered to the Members at the end of the first calendar year following the fiscal period after deducting therefrom any contributions from Members relating to that fiscal period which remain unpaid, and shall be credited to the Members in proportion to their assessed contributions in accordance with the provision of Financial Regulations 4.2(c) and 5.2(d).	4.2(b) Regular budget appropriations shall remain available for twelve months following the end of the fiscal period to which they relate, to the extent that they are required to discharge obligations in respect of goods supplied and services rendered during the fiscal period and to liquidate any other outstanding legal obligations of that fiscal period. *The unencumbered balance of appropriations at the end of a fiscal period shall be surrendered to the Members at the end of the first calendar year following the fiscal period after deducting therefrom any contributions from Members relating to that fiscal period which remain unpaid, and shall be credited to the Members in proportion to their assessed contributions in accordance with the provision of Financial Regulations 4.2(c) and 5.2(d).*	Problems with current practice 4.2(b) Outstanding Austrian schilling contributions are only fixed in United States dollars twelve months after the close of the fiscal period. This fixing assures that the dollar value of the unutilized balances remains constant in the future. It is, therefore, not possible to surrender any unencumbered balance prior to the fixing of outstanding Austrian schilling contributions. New practice 4.2(b) The proposed amendment would align the regulation with the current interpretation of the regulation. Experience has shown that it is not possible to determine the final unutilized balances until unpaid Austrian schilling contributions are fixed in United States dollars.

Regulation	Current regulation	Proposed regulation (New wording - **bold**) (Deletion - *italic*)	Reason for amendment
4.2(c)	At the end of the twelve-month period referred to in subparagraph (b) above, the then remaining balance of any regular budget appropriations retained shall be reported in detail by the Director-General to the External Auditor for examination and review and, after deducting therefrom any contributions from Members relating to the fiscal period of the appropriations which remain unpaid, shall be surrendered to the Members in proportion to their assessed contributions at the end of the second calendar year following the fiscal period to which the appropriations relate, provided, however, that before the respective share of the balance is surrendered to any Member that has outstanding regular budget obligations to the Organization, those obligations shall first be brought to account. Any unliquidated regular budget obligation of the fiscal period in question shall at that time either be cancelled or, where the obligation remains a valid charge, transferred as an obligation against the current appropriations.	4.2(c) At the end of the twelve-month period referred to in subparagraph (b) above, the then remaining balance of any regular budget appropriations retained shall be reported in detail by the Director-General to the External Auditor for examination and review, and, **retained in an appropriation reserve pending the consideration and approval by the Conference of proposals made by the Director-General, recommended by the Programme and Budget Committee and adopted by the Board on the utilization of such reserves***after deducting therefrom any contributions from Members relating to the fiscal period of the appropriations which remain unpaid, shall be surrendered to the Members in proportion to their assessed contributions at the end of the second calendar year following the fiscal period to which the appropriations relate, provided however, that before the respective share of the balance is surrendered to any Member that has outstanding regular budget obligations to the Organization, those obligations shall first be brought to account*. Any unliquidated regular budget obligation of the fiscal period in question shall at that time either be cancelled or, where the obligation remains a valid charge, transferred as an obligation against the current appropriations.	4.2(c) This would ensure that, following the receipt of late payments of Member States' assessed contributions, the General Conference would have the opportunity of authorizing the utilization of such balances (i.e. cash and appropriations) for activities related to programmes which could not be carried out during the fiscal period due to shortfalls in the payment of assessed contributions. The General Conference could, in fact, authorize the utilization of unspent appropriations for other purposes, including for example, one time capital expenditure or major repair items, previously unanticipated expenditures, the strengthening of the cash base, or for substantive programmes and the financing of technical cooperation projects. The General Conference could also decide to surrender unspent appropriations to Member States (as in the present financial regulation 4.2(c)). The intention of the amended regulation is to provide the General Conference with the opportunity to review the unspent appropriations and consider modalities for utilization, taking into account the circumstances prevailing at the time the review is being undertaken.

Regulation	Current regulation	Proposed regulation (New wording - **bold**) (Deletion - *italic*)	Reason for amendment
4.3(a)	No transfer of expenditures shall take place between the regular budget and the operational budget.	4.3(a) Unchanged.	
4.3(b)	No transfer between major objects of expenditure within the regular budget may take place, except when approved by the Conference in accordance with Regulation 3.11.	Replaces 4.3(b): 4.3(b) **Transfers between major objects of expenditure within the regular budget, limited to 10 per cent of the budgetary allocation for each major object of expenditure, may be made by the Director-General. Transfers between major objects of expenditure in excess of 10 per cent of the budget allocation for each major object of expenditure may take place when approved by the Industrial Development Board on the recommendation of the Programme and Budget Committee.**	Problems with current practice 4.3(b) Present regulation 4.3(b) does not provide a sufficiently flexible and dynamic utilization of budgetary resources in the implementation of programmes of work. The emphasis in respect of resource utilization presently favours specific items of expenditure or inputs, rather than the achievement of outputs and approved activities. The implementation of programmes of work should not be unduly restricted through rigid adherence to specific budgeted expenditure items. New practice 4.3(b) The amendment would provide a degree of flexibility in the control of the expenditure of budgetary resources. This would permit a limited transfer of resources between objects of expenditure within major programmes. Programme implementation and effectiveness should be enhanced. To ensure that adequate control is exercised by the policy-making organs, the Director-General would only be permitted to make such transfers up to 10 per cent of the amount allocated for the major object of expenditure. This means that the allocations for each major object of expenditure could not increase or decrease by more than 10 per cent. The revised financial regulations would ensure that proposed transfers in excess of the 10 per cent limit would require the approval of the Industrial Development Board.

Regulation	Current regulation	Proposed regulation (New wording - **bold**) (Deletion - *italic*)	Reason for amendment
4.3(c)	Transfers within major objects of expenditure of the regular budget may be made by the Director-General, who shall inform the Board, through the Programm e and Budget Committee, and the Conference thereof as soon as possible, provided that in the first fiscal period following its creation, a professional-level post may not be transferred to another programme or subprogramme.	4.3(c) Transfers within major objects of expenditure of the regular budget may be made by the Director-General, who shall inform the Board, through the Programme and Budget Committee, and the Conference thereof as soon as possible, provided that in the first fiscal period following its creation, a professional-level post may not be transferred to another programme or subprogramme. **Transfers or mergers of programmes or sub-programmes between major programmes comprising revised estimates for the current fiscal period may take place when approved by the Industrial Development Board on the recommendation of the Programme and Budget Committee.**	4.3(c) The amendment would provide a degree of flexibility to permit the Director-General to make budgetary revisions within the fiscal period, particularly to effect budgetary transfers to reflect organizational restructuring.
5.1(a)	The appropriations approved for regular budget expenditures, subject to the adjustments effected in accordance with the provisions of Regulation 5.2, shall be financed by mandatory contributions from the Members in accordance with a scale of assessments established by the Conference as provided in Article 15 of the Constitution.	5.1(a) Unchanged.	
5.1(b)	Pending the receipt of such contributions, the appropriations may be financed from the Working Capital Fund.	5.1(b) Unchanged.	

Regulation	Current regulation	Proposed regulation (New wording - **bold**) (Deletion - *italic*)	Reason for amendment
5.1(c)	For each of the two years of the fiscal period, Members shall contribute one half of the total approved amount.	5.1(c) Unchanged.	
5.1(d)	Each assessment shall be established in a component in United States dollars and the remainder in Austrian schillings in direct proportion to the respective shares of regular budget expenditures determined by the Conference, upon recommendation of the Director-General, to be linked to these two currencies. The initial assessment in Austrian schillings shall be established at the United Nations accounting rate of exchange in effect at the time the regular budget is adopted by the Conference.	5.1(d) Each assessment shall be established in a component in United States dollars and the remainder in Austrian schillings in direct proportion to the respective shares of regular budget expenditures determined by the Conference, *upon recommendation of the Director-General*, to be linked to these two currencies. *The initial assessment in Austrian schillings shall be established at the United Nations accounting rate of exchange in effect at the time the regular budget is adopted by the Conference.*	Problems with current practice 5.1(d) Dollar/schilling proportion The recommendation of the Director-General on the proportion of Austrian schilling/US dollar share of regular budget expenditures is part of the budgetary proposals considered by the Programme and Budget Committee and the Industrial Development Board and does not require a specific authorization request directly from the Director-General to the Conference. 5.1(d) Initial assessment rate The equivalent value in US dollars of the Austrian schilling assessment on Member States is calculated using the United Nations operational rate of exchange. This rate is revised each month. Therefore, the reference in the regulations to the rate in effect at the time the regular budget is adopted by the Conference has no relevance in accounting or budgetary terms. New practice 5.1(d) Dollar/schilling proportion The proposed programme and budgets presented by the Director-General to the Programme and Budget Committee will include the proposed proportion of the shares of United States dollars and Austrian schillings. Practice in other organizations 5.1(d) IAEA - The revised regulation compares with the IAEA practice.

Regulation	Current regulation	Proposed regulation (New wording - **bold**) (Deletion - *italic*)	Reason for amendment
5.2	For each of the two years of the fiscal period the assessment of Members shall be adjusted in respect of:	5.2 Unchanged.	
(a)	Supplementary appropriations for which contributions have not yet been assessed;	5.2(a) Unchanged.	
(b)	Half of the estimated miscellaneous income to the regular budget for the fiscal period, for which credits have not previously been taken into account, and adjustments in estimated miscellaneous income previously taken into account;	5.2(b) Half of the estimated miscellaneous income to the regular budget for the fiscal period *for which credits have not previously been taken into account, and adjustments in estimated miscellaneous income previously taken into account*, **and credits in respect of income not previously taken into account**.	Problems with current practice 5.2(b) The current accounting procedure distinguishes between: (a) the credits taken into account for miscellaneous income for the budgetary period for which the assessment is being made; and (b) the credits for miscellaneous income in excess of budget for the previous budget period. This excess is included with the balance of appropriations reported to Member States in the financial performance report. New practice 5.2(b) To bring the regulations into line with current procedures.
(c)	Contributions resulting from the assessment of new Members as provided in Financial Regulation 5.6;	5.2(c) Unchanged.	
(d)	Any balance of the appropriations surrendered to Members under Financial Regulations 4.2(b) and (c).	5.2(d) **Any distribution of the appropriation reserve to Members under financial regulations 4.2***(b) and* (c).	Problems with current practice 5.2(d) See regulation 4.2. New practice 5.2(d) The amendment would be in line with the proposed amendment to regulation 4.2(c).

Regulation	Current regulation	Proposed regulation (New wording - **bold**) (Deletion - *italic*)	Reason for amendment
10.1(a)	There shall be a General Fund for the purpose of accounting for those expenditures of the Organization, which are to be financed from the regular budget.	10.1(a) Unchanged.	
10.1(b)	To the General Fund shall be credited:		
	(i) The contributions to the regular budget paid by Members pursuant to Financial Regulation 5.1;	10.1(b)(i) Unchanged;	
	(ii) Any advances made from the Working Capital Fund to finance expenditures of the regular budget;	10.1(b)(ii) Unchanged;	
	(iii) Revenue derived from the Staff Assessment Plan;	10.1(b)(iii) *Revenue derived from the Staff Assessment Plan;*	10.1(b)(iii) Budgeting and accounting for salaries is made on a net basis. Therefore, no cost or revenue is recorded by UNIDO for staff assessment. However, in the United Nations, salaries are generally budgeted on a gross basis as this is linked to the United Nations Tax Equalization Fund. The UNIDO Tax Equalization Fund was discontinued following a change in the financial regulations approved by the fourth session of the Conference.
	(iv) Miscellaneous income to the regular budget including income from investment of the Working Capital Fund and the General Fund, proceeds from the provision or rental of goods or services, or adjustments arising subsequent to the closing of an operational budget account such as a trust fund, special account, project, etc.	10.1(b)**(iii)***(iv)* Unchanged.	

Regulation	Current regulation	Proposed regulation (New wording - **bold**) (Deletion - *italic*)	Reason for amendment
10.2(a)	The Director-General shall establish such accounts and maintain such accounting records as are necessary.	10.2(a) The Director-General shall establish such accounts and maintain such accounting records as are necessary, **giving due consideration to the United Nations accounting standards.**	Problems with current practice 10.2(a) The CCAQ(FB) working party on accounting standards has proposed the change. New practice 10.2(a) The amendment is in line with current United Nations practice and the recommendations of the CCAQ(FB) working party on accounting standards.
10.2(b)	The Director-General shall prepare and submit final accounts for each fiscal period showing its status of appropriations, including: (i) The original budget appropriations; (ii) Any supplementary appropriations; (iii) The appropriations as modified by any transfers; (iv) Credits, if any, other than the appropriations voted by the Conference; (v) The amounts charged against those appropriations and/or other credits.	10.2(b) Unchanged.	

Regulation	Current regulation	Proposed regulation (New wording - **bold**) (Deletion - *italic*)	Reason for amendment
			Problems with current practice
10.2(c)	The Director-General also shall prepare and submit:	10.2(c) Unchanged.	10.2(c) The CCAQ(FB) working party on accounting standards has proposed the additional statements.
	(i) A statement showing the assets and liabilities of the Organization at the close of the fiscal period;	10.2(c)(i) Unchanged.	
			New practice
	(ii) An analysis of the financial situation of the Organization at the close of the fiscal period;	10.2(c)(ii) Unchanged	10.2(c) The amendment is in line with current United Nations practice and the recommendations of the CCAQ(FB) working party on accounting standards.
	(iii) Such other information as may be appropriate.	10.2(c)(iii) **A statement of income and expenditure and change in reserves and fund balances;**	
			Practice in other organizations
		10.2(c)(iv) **A statement of cash;**	10.2(c) Since the new format was approved by CCAQ, other organizations are expected to amend their financial statements.
		10.2(c)(v) **Such other information as may be appropriate.**	

Annex II

PROPOSED AMENDED FINANCIAL REGULATIONS

Regulation 3.4:

(a) The regular budget shall be divided into major programmes, programmes and subprogrammes for expenditure as well as into sections for income. It shall also be presented by major objects of expenditure. It shall be accompanied by such information annexes and explanatory statements as may be requested by the General Conference (hereinafter referred to as the "Conference"), the Board or the Programme and Budget Committee as well as such annexes as the Director-General may deem necessary or useful. The regular budget also shall be accompanied by a statement on the main changes in comparison with the previous biennium.

(b) The operational budget shall show the expected income and expenditures in respect of voluntary contributions to the Industrial Development Fund, in respect of such trust funds, reserve and special accounts as have been or may be established by the Director-General and in respect of support costs of technical assistance activities. It shall be accompanied by such information annexes and explanatory statements as may be requested by the Conference, the Board or the Programme and Budget Committee, as well as such annexes as the Director-General may deem necessary or useful.

Regulation 3.5:

The Director-General shall in the second year of each fiscal period, submit a draft programme of work, the corresponding estimates and the proposed budget rate of exchange between the United States dollar and the Austrian schilling for the regular budget and the operational budget for the following fiscal period to the Board through the Programme and Budget Committee, as soon as possible and at the latest forty-five days prior to the opening of the session of that Committee.

Regulation 4.2:

(a) Regular budget appropriations shall be available for obligation during the fiscal period to which they relate.

(b) Regular budget appropriations shall remain available for twelve months following the end of the fiscal period to which they relate, to the extent that they are required to discharge obligations in respect of goods supplied and services rendered during the fiscal period and to liquidate any other outstanding legal obligations of that fiscal period.

(c) At the end of the twelve-month period referred to in subparagraph (b) above, the then remaining balance of any regular budget appropriations retained shall be reported in detail by the Director-General to the External Auditor for examination and review, and, retained in an appropriation reserve pending the consideration and approval by the Conference of proposals made by the Director-General, recommended by the Programme and Budget Committee and adopted by the Board on the utilization of such reserves. Any unliquidated regular budget obligation of the fiscal period in question shall at that time either be cancelled or, where the obligation remains a valid charge, transferred as an obligation against the current appropriations.

Regulation 4.3:

(a) No transfer of expenditures shall take place between the regular budget and the operational budget.

(b) Transfers between major objects of expenditure within the regular budget, limited to 10 per cent of the budgetary allocation for each major object of expenditure, may be made by the Director-General. Transfers between major objects of expenditure in excess of 10 per cent of the budget allocation for each major object of expenditure may take place when approved by the Industrial Development Board on the recommendation of the Programme and Budget Committee.

(c) Transfers within major objects of expenditure of the regular budget may be made by the Director-General, who shall inform the Board, through the Programme and Budget Committee, and the Conference thereof as soon as possible, provided that in the first fiscal period following its creation, a professional-level post may not be transferred to another programme or subprogramme. Transfers or mergers of programmes or subprogrammes between major programmes comprising revised estimates for the current fiscal period may take place when approved by the Industrial Development Board on the recommendation of the Programme and Budget Committee.

Regulation 5.1:

(a) The appropriations approved for regular budget expenditures, subject to the adjustments effected in accordance with the provisions of regulation 5.2, shall be financed by mandatory contributions from the Members in accordance with a scale of assessments established by the Conference as provided in Article 15 of the Constitution.

(b) Pending the receipt of such contributions, the appropriations may be financed from the Working Capital Fund.

(c) For each of the two years of the fiscal period, Members shall contribute one half of the total approved amount.

(d) Each assessment shall be established in a component in United States dollars and the remainder in Austrian schillings in direct proportion to the respective shares of regular budget expenditures determined by the Conference to be linked to these two currencies.

Regulation 5.2:

For each of the two years of the fiscal period the assessment of Members shall be adjusted in respect of:

(a) Supplementary appropriations for which contributions have not yet been assessed.

(b) Half of the estimated miscellaneous income to the regular budget for the fiscal period and credits in respect of income not previously taken into account.

(c) Contributions resulting from the assessment of new Members as provided in Financial Regulation 5.6.

(d) Any distribution of the appropriation reserve to Members under financial regulation 4.2(c).

Regulation 10.1:

(a) There shall be a General Fund for the purpose of accounting for those expenditures of the Organization, which are to be financed from the regular budget.

(b) To the General Fund shall be credited:

(i) The contributions to the regular budget paid by Members pursuant to financial regulation 5.1;

(ii) Any advances made from the Working Capital Fund to finance expenditures of the regular budget;

(iii) Miscellaneous income to the regular budget, including income from investment of the Working Capital Fund and the General Fund, proceeds from the provision or rental of goods or services, or adjustments arising subsequent to the closing of an operational budget account such as a trust fund, special account, project, etc.

Regulation 10.2:

(a) The Director-General shall establish such accounts and maintain such accounting records as are necessary, giving due consideration to the United Nations accounting standards.

(b) The Director-General shall prepare and submit final accounts for each fiscal period showing its status of appropriations, including:

(i) The original budget appropriations;

(ii) Any supplementary appropriations;

(iii) The appropriations as modified by any transfers;

(iv) Credits, if any, other than the appropriations voted by the Conference;

(v) The amounts charged against those appropriations and/or other credits.

(c) The Director-General also shall prepare and submit:

(i) A statement showing the assets and liabilities of the Organization at the close of the fiscal period;

(ii) An analysis of the financial situation of the Organization at the close of the fiscal period;

(iii) A statement of income and expenditure and change in reserves and fund balances;

(iv) A statement of cash;

(v) Such other information as may be appropriate.